

Message Text

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20

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 GSA-01 L-03 H-02

DODE-00 PA-01 PRS-01 NSC-05 SS-15 STR-04 CEA-01 AF-06

/097 W

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R 192150Z SEP 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6894

INFO AMEMBASSY BRASILIA

AMEMBASSY SANTIAGO

LIMITED OFFICIAL USE LIMA 7798

EO 11652: N/A

TAGS: EMIN, ETRD, BR, CI, PE

SUBJECT: BRAZIL AGREES TO BUY COPPER FROM PERU AND CHILE

1. THE OFFICIAL GAZETTE EL PERUANO OF SEPTEMBER 11 PUBLISHED THE TEXT OF A TENTATIVE AGREEMENT BETWEEN PERU AND BRAZIL FOR THE FUTURE SALE OF PERUVIAN COPPER. THE AGREEMENT STATES BRAZIL'S DESIRE TO BUY 50-70 PERCENT OF ITS FUTURE COPPER PURCHASES FROM SOUTH AMERICAN PRODUCERS. TWO OF THE MAJOR POINTS OF THE AGREEMENT ARE: (1) THE ESTABLISHMENT IN BRAZIL OF AN OFFICE OF MINERO-PERU COMERCIAL (MINPECO), PRESUMABLY IN BRASILIA, AND (2) THE ESTABLISHMENT OF BONDED COPPER STORAGE FACILITIES IN BRAZIL IN ORDER TO FACILITATE PRIVATE IMPORTATION OF COPPER BY BRAZILIAN IMPORTERS. THE AGREEMENT ALSO COVERS POSSIBLE FUTURE PERUVIAN SALES OF ZINC AND OTHER MINERALS TO BRAZIL. BRAZIL, IN RETURN HAS TENTATIVELY AGREED TO SELL SOY BEANS, CRUDE SOY OIL, CORN SORGHUM AND BEEF TO PERU.

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2. AN ARTICLE IN EXPRESO OF SEPTEMBER 12 ASSERTED THAT

BRAZIL PROPOSED TO INCREASE ITS COPPER PURCHASES FROM BOTH CHILE AND PERU. THE ARTICLE ALSO CLAIMED THE BRAZILIAN GOVERNMENT WOULD INVEST A COMBINED TOTAL OF \$1 BILLION IN BOTH COUNTRIES IN PROGRAMS TO INCREASE THEIR COPPER PRODUCTION. BOTH ARTICLES SAID FURTHER TALKS ON THESE TRANSACTIONS WOULD BE HELD SOMETIME LATER THIS YEAR IN LIMA.

3. MINERO-PERU AND MINISTRY OF COMMERCE OFFICIALS INFORM US THAT THE AGREEMENT IS ONLY A AGREEMENT IN PRINCIPLE AND DOES NOT CONSTITUTE A CONTRACT. THE SPECIFICS WILL BE CLARIFIED IN SUBSEQUENT MEETINGS. THE OFFICIALS DID NOT KNOW WHY BRAZIL, WHICH HAD PREVIOUSLY PURCHASED MOST OF ITS COPPER FROM THE U.S., ZAIRE, ZAMBIA AND CHILE HAS DEVELOPED SUCH A SUDDEN INTEREST IN PERUVIAN COPPER. THE OFFICIALS SAID THAT IF A CONTRACT WERE SIGNED, MOST OF THE COPPER WOULD COME FROM A LARGE COPPER MINING AREAS IN SOUTHERN PERU AND THE COPPER WOULD BE REFINED IN THE REFINERY LOCATED IN ILO.

4. A BRAZILIAN EMBASSY OFFICIAL INFORMS US THAT THE AGREEMENT IS PART OF A POLICY TO IMPROVE BRAZILIAN-PERUVIAN RELATIONS, WHICH HAVE NOT BEEN GOOD FOR THE PAST SEVERAL YEARS. THE \$1 BILLION BRAZILIAN INVESTMENT MAY COME IN THE FORM OF REFINERIES BUILD IN EITHER BRAZIL OR PERU AND JOINTLY OWNED BY PERU AND BRAZIL THROUGH BILATERAL AGREEMENTS. HE CONFIRMED THAT THE AGREEMENT IS ONLY A DOCUMENT OF PRINCIPLES AND THAT DETAILS WOULD BE CLARIFIED LATER. HE SAID THE NEXT ROUND OF TALKS MAY TAKE PLACE IN LIMA BETWEEN OCTOBER 20-25.

5. WE WOULD APPRECIATE ANY COMMENT BRASILIA MAY BE IN A POSITION TO MAKE.
DEAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, SALES, AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA07798
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750326-0694
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750936/aaaabfne.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2003 by CunninFX>; APPROVED <11 DEC 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRAZIL AGREES TO BUY COPPER FROM PERU AND CHILE
TAGS: EMIN, ETRD, BR, CI, PE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006